

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



**CORRECTED
FISCAL MEMORANDUM
SB 162 – HB 506**

June 10, 2009

SUMMARY OF AMENDMENTS (009323, 009821): Amendment 009323 deletes the language of the original bill. Creates the Bureau of Ethics and Campaign Finance to be composed of two divisions, the Tennessee Registry of Election Finance (Registry) and the Tennessee Ethics Commission. The Bureau shall be governed by a Board of Directors to be composed of the six members of the Registry and the six members of the Ethics Commission. The Bureau shall be an independent entity administratively attached to the Department of State. The Board of Directors shall appoint a full-time Executive Director, who will be the Executive Director of the Registry and will serve at the pleasure of the Board. Other employees of the Bureau will be employed on recommendation of the Executive Director with the approval of the Board. The Board may request advice, documents, or services from the State Coordinator of Elections. The Bureau is authorized to promulgate rules and regulations, collect or receive all required filings, collect all fees, fines, and moneys assessed by the Registry or the Ethics Commission. All fees collected by the Bureau, as well as all appropriations, shall be deposited into a separate account to be used to defray expenses necessary for the administration of the Bureau. Penalties collected shall be deposited into the State General Fund. All rules of the Registry and the Ethics Commission shall remain in full force and effect until modified or repealed. Requires the Registry and the Ethics Commission to be audited in conjunction with the audit of the Bureau by the Comptroller of the Treasury. Amendment 009821 authorizes the Bureau to take actions to transition the Registry and the Ethics Commission into the Bureau. As of June 30, 2009, staff positions of the Ethics Commission shall be transferred to the Bureau through and including August 10, 2009; provided the Bureau shall reclassify the position of the Executive Director of the Ethics Commission. The Executive Director of the Bureau may reclassify or eliminate staff positions of the Ethics Commission after August 10, 2009, and no vacant staff positions within the Bureau shall be filled from July 1, 2009 through August 10, 2009.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures - \$25,000/One-Time
Decrease State Expenditures - \$338,000/Recurring

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Other Fiscal Impact – Transfers funding and staff from the Ethics Commission to the Registry of Election Finance if the Ethics Commission is allowed to terminate on June 30, 2009. The Registry would take over those functions that are currently being performed by the Ethics Commission such as registration of lobbyists and employers of lobbyists, collection and review of annual financial disclosure of interest statements, enforcement, ethics training, and issuing informal responses and formal advisory opinions. Nine staff positions are attached to the Ethics Commission with a budget of \$895,000 for FY09-10. Merging the two offices is expected to result in an overall cost savings to the state of approximately \$313,000.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:

On June 10, 2009, we issued a fiscal memorandum reflecting a one-time increase in state expenditures of \$59,800; a recurring decrease in state expenditures of \$316,200; and other fiscal impact - transfers funding, staff, and Boards of Directors of the Ethics Commission and the Registry of Election Finance to the newly created Bureau of Ethics and Campaign Finance as of July 1, 2009. The Bureau will be composed of the two divisions of the Registry and the Ethics Commission and the boards of each entity will become the Board of Directors of the Bureau. All fees, including lobbyist fees, imposed and collected by the Bureau shall be deposited in a separate account to be used by the Bureau to defray expenses necessary to administer the provisions of the campaign finance law, ethics and lobbying law, and conflict of interest and ethical standards law. Nine staff positions are attached to the Ethics Commission with a budget of \$895,000 for FY09-10. Merging the two offices is expected to result in an overall cost savings to the state of approximately \$256,400. Based on additional information, the fiscal impact for this amendment is as follows:

(CORRECTED)

Increase State Expenditures - \$59,800/One-Time

Decrease State Expenditures - \$316,200/Recurring

Other Fiscal Impact – Transfers funding, staff, and Boards of Directors of the Ethics Commission and the Registry of Election Finance to the newly created Bureau of Ethics and Campaign Finance as of July 1, 2009. The Bureau will be composed of the two divisions of the Registry and the Ethics Commission and the boards of each entity will become the Board of Directors of the Bureau. All fees, including lobbyist fees, imposed and

collected by the Bureau shall be deposited in a separate account to be used by the Bureau to defray expenses necessary to administer the provisions of the campaign finance law, ethics and lobbying law, and conflict of interest and ethical standards law. Nine staff positions attached to the Ethics Commission will be transferred to the Bureau through August 10, 2009. As of August 11, 2009, the staff of the Ethics Commission will be reduced by three positions. Merging the two offices is expected to result in a net cost savings to the state of approximately \$256,400 in FY09-10. In FY10-11 and subsequent years there will be a cost savings to the state of \$316,200.

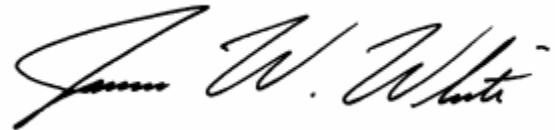
Assumptions applied to amendments:

- The Tennessee Ethics Commission, created by Tenn. Code Ann. § 3-6-103, terminated June 30, 2008, and is in its wind-down period, pursuant to the provisions of Tenn. Code Ann. § 4-29-112. Wind-down is scheduled to be complete June 30, 2009.
- As of July 1, 2009, funding and staff of the Ethics Commission and the Registry will be transferred to the newly created Bureau of Ethics and Campaign Finance.
- Three positions will be eliminated due to the merger. This would reduce state costs by approximately \$293,600 for salaries and benefits.
- Existing salaries for the all other positions are expected to remain the same.
- One or both agencies may be required to move locations since current office space of either agency may be insufficient for a merged staff. Estimated one-time moving cost of approximately \$15,000 to merge the two offices.
- The Ethics Commission currently has a lease which extends through June 30, 2013. According to the Real Property Administration Division, the lease could be terminated with just cause. It is estimated that there would be a cost savings if the two offices are merged together into one space. In FY09-10, the Ethics Commission's lease is \$52,558 and the Registry's lease is \$46,359. The Registry's lease would be increased by some amount due to the increase in square footage for the additional personnel if such lease space is available. The estimated decrease in cost to the Ethics Commission would be \$52,558 and the estimated increase in cost to the Registry for additional lease space would be approximately \$30,000 per year for a net savings of \$22,558.
- An estimated one-time cost of approximately \$10,000 which includes changes to the Internet portal and printing costs associated with name changes.
- One-time costs of \$34,800 for eliminated positions and lease costs for the period of July 1, 2009 through August 10, 2009.

- In FY09-10 the state appropriation budgeted for the Ethics Commission totals \$415,800. Of this amount, \$90,000 will be required by the Bureau to administer the provisions of the bill, as amended.
- Training employees in campaign finance and ethics law is estimated to be not significant and can be done in-house with current staff.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" written in a larger, more prominent script than the last name "White".

James W. White, Executive Director

/rct